1973 ANNUAL REPORT OF **ANHEUSER-BUSCH, INCORPORATED**

DIRECTORS

AUGUST A. BUSCH, JR.
Chairman of the Board
and Chief Executive Officer
Anheuser-Busch, Incorporated

AUGUST A. BUSCH III
President
Anheuser-Busch, Incorporated

DAVID R. CALHOUN, JR.
Chairman of the Board
St. Louis Union Trust Company

M. R. CHAMBERS
Chairman of the Board
and Chief Executive Officer
Interco Incorporated

JOHN F. KREY II
Chairman of the Board and President
Krey Packing Company

FRED L. KUHLMANN*
Senior Vice President—
Administration and Services
Anheuser-Busch, Incorporated

J. W. McAFEE
Chairman of the Executive Committee
Union Electric Company

JAMES B. ORTHWEIN
President and Co-Chief Executive Officer
D'Arcy-MacManus & Masius, Inc.

FREDERIC M. PEIRCE
Chairman of the Board
General American Life Insurance Company

W. R. PERSONS
Chairman of the Board
Emerson Electric Co.

WALTER C. REISINGER
Vice President—Customer Relations
Anheuser-Busch, Incorporated

FRANK H. SCHWAIGER
Retired Senior Vice President—Brewing
Anheuser-Busch, Incorporated

ETHAN A. H. SHEPLEY
Of Counsel to Bryan, Cave,
McPheeters & McRoberts
Attorneys at Law

A. VON GONTARD
Vice Chairman of the Board
Anheuser-Busch, Incorporated

JOHN L. WILSON
Chairman of Finance Committee
Anheuser-Busch, Incorporated

**Mr. Kuhlmann was appointed, effective March 1, 1974, by the Board of Directors to fill the vacancy created by the resignation of Mr. R. A. Meyer.*

OFFICERS**

AUGUST A. BUSCH, JR.
Chairman of the Board
and Chief Executive Officer

AUGUST A. BUSCH III
President

FRED L. KUHLMANN
Senior Vice President—Administration and Services

HENRY N. McCLUNEY
Vice President—Operations

FRANK J. SELLINGER
Vice President and Group Executive

ORION P. BURKHARDT
Vice President—Marketing, Brewery Division

DENNIS P. LONG
Vice President and Group Executive

JERRY E. RITTER
Vice President—Finance-Controller

ANDREW J. STEINHUBL
Vice President—Brewing

MELVIN H. FRITZ
Vice President—Supplies Purchasing

WILLIAM G. PORTER
Vice President—Marketing Development

DONALD S. McDONALD
Vice President and General Counsel

WALTER C. REISINGER
Vice President—Customer Relations

MILTON R. GAEBLER
Vice President—Engineering

MICHAEL J. LA MONICA
Vice President—Beer Marketing Operations

BARRY H. BERACHA
Vice President—Corporate Planning and Development

JOHN H. PURNELL
Vice President—Marketing Staff

PATRICK T. STOKES
Vice President—Raw Materials and Transportation

THOMAS R. SCANLAN, JR.
Vice President—Industrial Products Division

JOHN L. HAYWARD, *Secretary and Treasurer*

R. A. RAWIZZA, *Tax Controller*

OSMOND CONRAD, *Assistant Controller*

THOMAS J. CARROLL, *Assistant Secretary*

H. F. SUELLENTROP, *Assistant Treasurer*

***While this Annual Report was being printed, Mr. R. A. Meyer resigned as President, effective February 28, 1974. The Board of Directors at its meeting on February 27, 1974 elected Mr. August A. Busch III President of the Company and made other officer appointments and title changes as reflected above.*

'73 annual report to shareholders of Anheuser-Busch, Inc.

contents

the annual meeting

of shareholders of the company will be held on Wednesday, April 24, 1974, at 10:00 a.m. St. Louis time. A notice of that meeting and proxies on behalf of the management will be sent to the shareholders on or about March 14, 1974.

ST. LOUIS TRANSFER AGENT:
ST. LOUIS UNION TRUST COMPANY
510 Locust Street, St. Louis, Missouri 63101

ST. LOUIS REGISTRAR:
MERCANTILE TRUST COMPANY NATIONAL ASSOCIATION
721 Locust Street, St. Louis, Missouri 63101

NEW YORK TRANSFER AGENT:
CHEMICAL BANK
20 Pine Street, New York, New York 10015

NEW YORK REGISTRAR:
MORGAN GUARANTY TRUST COMPANY OF NEW YORK
30 West Broadway, New York, New York 10015

BREWERIES:
ST. LOUIS, NEWARK, LOS ANGELES, TAMPA, HOUSTON, COLUMBUS, JACKSONVILLE, MERRIMACK and WILLIAMSBURG

CORN REFINING PLANT:
LAFAYETTE, INDIANA

YEAST PLANTS:
ST. LOUIS and OLD BRIDGE, NEW JERSEY

to the shareholders of Anheuser-Busch, Incorporated:

February 11, 1974

The year just completed was one of the most demanding and challenging of the last decade. We faced the problems of price freezes, labor negotiations, product shortages, and spiraling agricultural costs. Despite these problems, we achieved the highest sales volume in our history by selling 29.9 million barrels of Anheuser-Busch beer products.

Net sales for 1973 reached $1.1 billion, an increase of 13.5% over sales of $977.5 million last year. Net income for the year did not match our record sales increase, primarily due to higher production costs and constraints on selling prices occasioned by competitive pressures and controls under the Economic Stabilization Program. Net income for 1973 was $65.6 million, or $1.46 per share, a decrease of 14% from our 1972 income of $76.4 million, or $1.70 per share, before extraordinary item.

An unprecedented combination of international developments caused the Federal Government to open American farm production to the world market. In 1973 this action had a significant impact on the prices the American consumer paid for food. The impact of this action on the prices Anheuser-Busch paid for the agricultural products used in brewing—rice, malt, hops and corn grits—was equally as significant. In 1973, our cost of these agricultural products increased approximately 34% over the 1972 level.

For many years, the company has used and continues to use the Last-In, First-Out (LIFO) method of valuing its inventory for most agricultural products. The LIFO method of inventory valuation results in cost of products sold being charged with the latest acquisition cost. Generally, the use of LIFO has the greatest impact on earnings in periods of sharply increasing (or decreasing) costs. If the company had used the average cost method of valuing inventory instead of LIFO, net income would have been higher by $9.5 million in 1973 and $1.4 million in 1972.

In conjunction with competitive pricing pressures, the restrictions imposed during 1973 by the various phases of the Economic Stabilization Program, including a price freeze, hampered the company's ability to increase prices to meaningfully offset these substantial cost increases.

Despite the availability of the capacity added in 1973 by the expansion of our Columbus, Ohio, brewery, we experienced product shortages in all markets. These shortages resulted principally from the high level of consumer demand generated for Anheuser-Busch beer products. Work stoppages at our Columbus and St. Louis breweries, resulting in lost beer sales of about 400,000 barrels, further aggravated these shortages.

Formation in June, 1973, of Metal Container Corporation marked another important step in our continuing program to better control the basic cost of our packaging and raw materials. This wholly owned subsidiary is presently building a can manufacturing plant to supply approximately 50% of our expanded Jacksonville brewery's annual can requirements.

The year 1973 saw continuing progress by our other operating divisions and subsidiaries which made a greater contribution to net income and earnings per share than ever before. The activities of these entities are discussed in greater detail beginning on page 4 in the Review of the Year section of this report.

Let's turn for a moment to the outlook for the year 1974—the challenges and opportunities facing us.

We began 1974 with an unprecedented level of consumer demand for our Anheuser-Busch beers. The inventories of our wholesalers were at a very low level. We expect this demand to continue and we are producing at capacity to satisfy it.

To provide the capacity necessary to satisfy this high level of demand in the future, we approved, in late December 1973, final plans for construction of our newest brewery in Fairfield, California, near San Francisco. This brewery will increase the company's annual shipping capability by more than 3.5 million barrels when completed in 1976. Furthermore, we have made significant commitments for capital investment in modernization and expansion programs designed to improve efficiency and productivity, as well as increase capacity at existing breweries.

In February, 1974, the company sold $100 million of 7.95% sinking fund debentures, due 1999. Proceeds from this sale will be used to finance a portion of a three-year capital expenditure program. Total capital spendings during this period will approximate $600 million and will be used for brewing capacity increases, plant modernization and expansion of our other divisions and subsidiaries.

The three-year labor agreements reached in 1973 with unions representing the majority of employees in our system of breweries provided higher wages and fringe benefits. We anticipate that 1974 will be a year of labor peace without disruption occurring in the production and distribution of our products.

The energy crisis and the problem of fuel availability provide a major management challenge in the year ahead. Based on current contractual commitments and the federal regulations presently governing the allocation of fuel oil, we expect to operate during 1974 with a sufficient supply. However, we recognize that our 1974 production,

sales, and earnings could be adversely affected by fuel shortages. At most of our breweries, the power plants have been designed to burn alternative fuels. Steps are being taken to provide standby fuel in case short-term supply problems develop. Programs are being conducted at all company locations to conserve fuel, electricity, and water.

As previously discussed, higher grain costs were the major factor responsible for lower earnings in 1973. We expect grain prices to remain at relatively high levels for much of 1974. However, we are presently pursuing several alternatives involving special procurement programs, techniques to increase crop yields, and close contact with the farming community. These programs have the potential to reduce our vulnerability to future fluctuation in grain costs.

In 1974, we expect to have greater flexibility in pricing our products.

While we have developed programs to deal with our current cost problems, we will still be a higher-cost producer than some of our competitors. As long as we continue using premium brewing ingredients, a more labor-intense process, and extra time to brew and age our beer, we will have higher costs. The end value of these higher costs is in the quality beer products we offer the consumer. Our reputation with the consumer is based on the superior quality of our beer. It is our firm belief that our commitment to preserving product quality will continue to increase our strength in the marketplace in 1974 and the the years to come.

I want to thank all of our officers and employees, as well as the many wholesalers and retailers who handle our products, for their contribution in 1973.

We extend to our shareholders our sincere appreciation for their continued confidence and support. Let me assure you that we will do our best to continue to earn this confidence and support in 1974 and future years.

Sincerely,

August A. Busch

August A. Busch, Jr.
Chairman of the Board
and Chief Executive Officer

the year at a glance

YEAR ENDED DECEMBER 31	1973	1972
Barrels of beer sold	**29,887,162**	26,521,872
Net sales	**$1,109,707,000**	$977,500,000
All taxes	**417,706,000**	382,759,000
Per share	**9.27**	8.50
Income before extraordinary item	**65,577,000**	76,400,000
Per share	**1.46**	1.70
Extraordinary item	—	4,093,000
Per share	—	.09
Net income	**65,577,000**	72,307,000
Per share	**1.46**	**1.61**
Cash dividends	**27,037,000**	26,109,000
Per share	**.60**	.58
Capital expenditures	**91,801,000**	84,217,000
Depreciation	**41,059,000**	38,970,000

FINANCIAL CONDITION AT DECEMBER 31		
Working capital	**$ 76,261,000**	$ 84,730,000
Plant and equipment, net	**541,236,000**	491,671,000
Long-term debt	**93,414,000**	99,107,000
Shareholders equity	**500,784,000**	461,980,000
Per share	**11.11**	10.25
Number of employees	**11,962**	11,589
Number of shareholders	**29,463**	29,446

review

of the

year

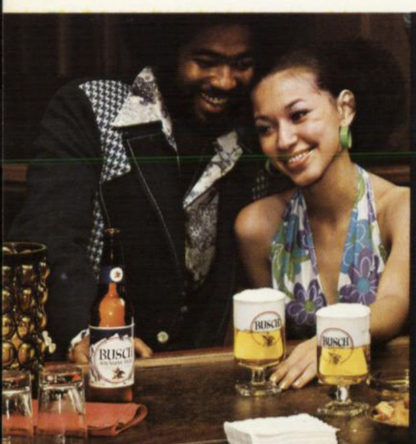
...1973

BEER DIVISION

Beer sales in 1973 amounted to 29,887,162 barrels, an increase of approximately 13% over the 26,521,872 barrels sold in 1972. This sales record marks the seventeenth consecutive year that Anheuser-Busch, Inc., was the industry leader in barrels of beer sold. The company's share of brewing industry sales volume was approximately 21% in 1973 compared with 20% in 1972. The lead over our nearest competitor rose from 7,616,000 barrels in 1972 to 8,544,000 barrels in 1973.

Net sales of the Beer Division were $1,016,568,000 compared with $902,678,000 in 1972 and represented approximately 92% of total 1973 consolidated net sales.

In order to meet the continued consumer demand for our Budweiser, Michelob and Busch beers, Anheuser-Busch continued its program of constructing new and expanding existing breweries. In May, 1973, we began shipping from the expanded portion of our Columbus, Ohio, brewery, which has added approximately 2.8 million barrels to our capacity. Construction is progressing well on the 2.8 million barrel expansion of our Jacksonville, Florida, brewery, and it is expected that this additional capacity will be available by spring. We are proceeding with construction of our Fairfield, California, brewery which will have an annual shipping capacity in excess of 3.5 million barrels when com-



pleted in 1976.

In addition to the foregoing major capacity expansions, we are in the final stages of testing the conversion and addition of tankage to expand our beechwood chip aging capacity. If implemented, total shipping capacity at existing breweries could increase by as much as 3.0 million barrels annually in 1975.

The total annual shipping capability of our nine breweries in 1974 will be approximately 34 million barrels. With the completion of our new brewery in Fairfield, California, it is anticipated our 1976 shipping capability will exceed 40 million barrels.

In February, 1973, our Busch brand was expanded in the Midwest and is now available in 25 states. This expansion has been one of the largest and most successful ever experienced by the company.

During 1973 we experienced a shortage of beer occasioned by the excellent sales trends developed for our beer brands. In order to ease this critical problem, increase the efficiency of our brewing and production operations, and minimize dilution of sales effort, the decision was made to cease the production and sale of Budweiser Malt Liquor.

INDUSTRIAL PRODUCTS DIVISION

Sales and profits of the Industrial Products Division were substantially higher in 1973 than in 1972, principally because of the easing of industry pricing pressures.

This division is a major supplier to the baking industry of quality bakers yeast, liquid sweeteners, frozen and dried eggs, and other associated products. In addition, the division produces corn syrup and starch for numerous food applications including the processing of canned and frozen foods and the manufacture of ice cream and candy. The division also markets resins used in the manufacture of paper, corrugated containers, and textiles.

Bakers yeast continues to be the fastest growing product of the division. In June, 1973, construction began on a new yeast plant at Bakersfield, California, which will begin production in the fall of 1974. This plant will enable the division to enter new markets in the West as well as expand distribution in existing markets.

In June, 1973, Anheuser-Busch announced a new process for the isolation of protein from bakers yeast for human consumption. This process separates the constituents of the yeast cell into three fractions which have properties unique in the food ingredient marketplace. The company is currently studying the commercialization of these bakers yeast products and the possibility of constructing a facility to produce them. If

Above, New Bakersfield yeast plant is scheduled to begin production in the fall of 1974 and will serve the entire West Coast area.

Left, New Busch Gardens-Tampa flume ride delights visitors of all ages.

Below, Opening in 1975, Busch Gardens-Williamsburg highlights the excitement of "France," "England," and "Germany" in "The Old Country" tradition.

the potential of these products is realized, it will enable the Industrial Products Division to further expand and diversify its activities within the food industry.

BUSCH GARDENS

The biggest crowds in history visited our family entertainment facilities in Tampa and Los Angeles, with combined attendance being 23% higher than in 1972. Revenues increased by 49% in 1973, and these attractions were profitable.

Major expansions of Busch Gardens facilities began in 1973. At Williamsburg, Virginia, construction began on a new $30 million Busch Gardens. The theme of this attraction will be "The Old Country", featuring "France, England, and Germany" — countries from which many early American settlers came. This Gardens is scheduled to open in the spring of 1975.

At Tampa, new attractions, which include a sky ride and "Moroccan" entry complex, will be completed in 1974. Tampa attendance increased 9% in 1973.

A new attraction at Los Angeles, creating a turn-of-the-century theme, is scheduled for completion in late 1974. In addition, our new monorail ride will be in operation by the spring of 1974. Los Angeles attendance increased 54% in 1973.

At far left is the seal especially handcrafted in Jamestown, Va., for Kingsmill in the 18th century manner.

Below, Circa 1901 area at Busch Gardens-L.A. is scheduled to be in full operation in 1975, and it recaptures the magic of the turn-of-the-century era.

Our new hospitality center in Williamsburg, adjacent to the brewery, will open in the spring of 1974. This facility features a unique multi-sensory show which previews future attractions of the new Busch Gardens as well as plans for Busch Properties' "Kingsmill on the James" development.

BUSCH PROPERTIES, INC.

Busch Properties, Inc., Anheuser-Busch's wholly owned real estate development subsidiary, continued its growth in 1973. Busch Corporate Center, the firm's business park in Columbus, Ohio, enjoyed a profitable year. There are currently eleven completed buildings and several others under construction at Busch Corporate Center.

Busch Travel Park, the firm's recreational vehicle park opposite the Tampa Busch Gardens, was completed and opened in the summer of 1973. It has been very well received by those campers who have utilized it.

"Kingsmill on the James," the company's planned community southeast of Williamsburg, Virginia, is discussed more extensively on page 12 of this report. Homesites at "Kingsmill on the James" are being offered for sale, and a variety of multi-family dwellings is expected to be available for occupancy in the spring of 1974.

CAN MANUFACTURING

The company's can manufacturing operations include Apache Container Corporation, Lianco Container Corporation, and Metal Container Corporation.

Apache Container Corporation of St. Paul, Minnesota, produces seamless aluminum and tin plate aerosol containers by the drawn and ironed process. Apache is continually perfecting its production technology and is presently installing an additional can line. Production from this line, scheduled for completion in 1974, will provide the capacity essential to meet volume requirements of existing customers and enable the company to attract more business. We expect this subsidiary to reach a profitable level of operations in the near future.

Lianco Container Corporation, which is jointly owned by Anheuser-Busch and Libby, McNeill & Libby, is located in St. Louis County, Missouri, and manufactures beer cans and lids for our St. Louis brewery. Lianco, which is profitable, is presently converting to the Conoweld process which will substantially increase can production capacity. Installation of these lines is expected to be completed in 1974.

In September, 1973, Metal Container Corporation, a wholly owned subsidiary, began construction of a new can manufacturing plant at Jacksonville, Florida. When

Above, Apache Container Corp. produces aerosol cans for a wide variety of spray products manufacturers.

Left, Busch Travel Park, adjacent to Busch Gardens-Tampa, opened in Summer, 1973.

it reaches full production in 1975, this facility will produce approximately 50% of the expanded Jacksonville brewery's annual can requirements.

MANUFACTURERS RAILWAY CO. & ST. LOUIS REFRIGERATOR CAR CO.

Operations of Manufacturers Railway and St. Louis Refrigerator Car, wholly owned subsidiaries, continued to be profitable in 1973. Manufacturers Railway Co. renders terminal railway services in St. Louis and furnishes truck cartage and warehouse services at six of our brewery locations. St. Louis Refrigerator Car Co. repairs railroad cars and operates a fleet of railroad cars used to transport beer for Anheuser-Busch, Inc.

ST. LOUIS CARDINALS

The baseball Cardinals finished in second place in the Eastern Division of the National League during the 1973 season, a substantial improvement over the fourth place finish in 1972. Through its continuing rebuilding program, which combines youth with experience, Cardinal management is confident that 1974 will be an exciting year for the team and the fans.

In 1973 the Cardinals sustained a loss of $118,000

Below, "Wizard of Oz" float drawn by Anheuser-Busch Clydesdale hitch appeared in the Orange Bowl parade New Year's Eve.

Below right, "Snowflake," the St. Louis entry in the Tournament of Roses parade this year, sponsored by Anheuser-Busch and drawn by the Clydesdales, won the "Sweepstakes" trophy — top award in the parade.

after deduction of the consolidated tax benefit of $224,000.

ECOLOGY

All of the company's plants are subject to federal, state and local pollution control regulations. In all locations, the company is operating within existing regulations or has taken positive action to assure compliance. All new facilities are designed to commence operations in compliance with regulatory standards.

In the interest of reducing both capital and operating cost outlays for pollution control, the company has increased expenditures in the areas of engineering and research with the objective of improving process efficiencies, creating saleable by-products from wastes, and generally reducing the quantities of materials discharged into the environment.

As a major user of packaging materials, the company continues to exert positive leadership in seeking solutions to litter and solid waste problems. It has continued to support the United States Brewers Association's "Pitch In" campaign. In addition, the company has assisted in gaining the support of related industries, including soft drinks, to provide funds for the first behavioral study of littering. This project, under the auspices of Keep America Beautiful, Inc., utilizes the skills of the behavioral scientist in designing a total systems solution to the problem of littering. By identifying both the positive and negative behavioral norms involved, underlying causal factors are being determined. Thus, the project goes well beyond a clean-up drive and works toward a permanent solution.

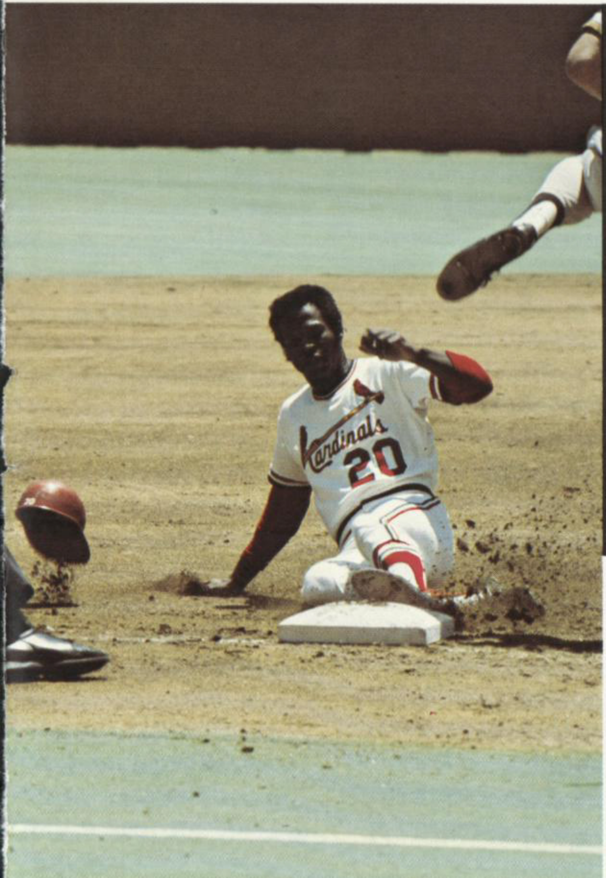
MANAGEMENT CHANGES

William G. Porter was appointed Vice-President—Marketing Development effective March 1, 1973.

Andrew J. Steinhubl, Vice-President—Brewing, assumed full responsibility for brewing following the retirement of Frank H. Schwaiger on July 1, 1973.

Jerry E. Ritter was appointed Vice-President and Controller, assuming the financial administrative responsibilities of John H. Pahlmann, who retired effective July 1, 1973.

Effective July 1, 1973, R. A. Rawizza was appointed Tax Controller and Osmond Conrad was appointed Assistant Controller.



Above, The company continues to give strong support to the United States Brewers Association's "Pitch In" anti-litter campaign.

Left, Star Cardinal Outfielder, Lou Brock, also provided thrills with his base stealing achievements. 1973 marked the ninth season Brock has stolen 50 or more bases.

financial review of the year ...1973

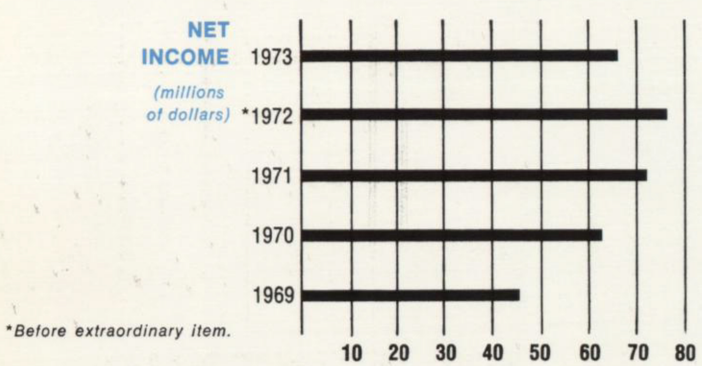
SALES AND EARNINGS

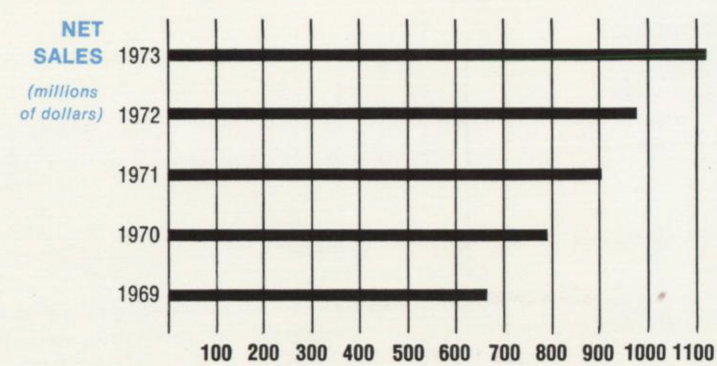
The following condensed summary shows beer volume and consolidated earnings by quarters:

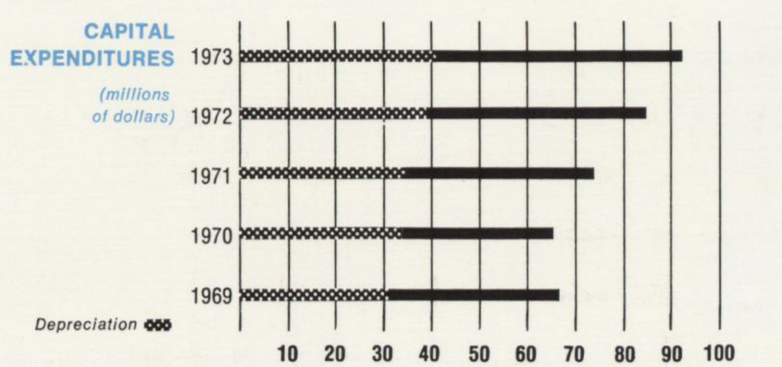
In Thousands	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Barrels sold (all beers)	6,827	7,393	7,756	7,911
Net sales	$248,919	$272,456	$291,932	$296,400
Income before taxes	35,855	36,502	34,186	19,692
Income taxes	17,470	17,791	16,309	9,088
Net income	18,385	18,711	17,877	10,604
Per share	.41	.41	.40	.24

Net income for 1973 of $65.6 million, or $1.46 per share, decreased 14% from the results for 1972, before extraordinary item. This earnings decline is principally due to the increase in the cost of agricultural products used in our brewing process. Restrictions of the Economic Stabilization Program, as well as constraints imposed by competitive pressures, have hampered our ability to implement price increases to meaningfully offset these cost increases.

The return on average shareholders' equity for 1973 was 14% as compared with 17% for 1972. The ratio of earnings to net sales was approximately 6% in 1973 compared with 8% in 1972, before extraordinary item.







DIVIDENDS

Cash dividends of $27 million, or $.60 per share, were paid in 1973 compared with $26.1 million, or $.58 per share last year. In both years the company's dividend rate was the maximum permitted under Economic Stabilization Program regulations.

The company has paid cash dividends in each of the past 41 years. In addition, the company's stock has split five times in the past 41 years and stock dividends were paid in 1953, 1954 and 1966.

At the close of the year, shareholders numbered 29,463 compared with 29,446 at the end of 1972.

WORKING CAPITAL

Working capital amounted to $76.3 million at December 31, 1973, a decrease of $8.4 million from the working capital in 1972 of $84.7 million. The working capital ratio was 1.8 to 1 at December 31, 1973, and 2.0 to 1 at December 31, 1972. Cash and marketable securities totaled $60.1 million at December 31, 1973. A comparative statement of changes in financial position appears on page 21 of this report.

CAPITAL EXPENDITURES

Capital expenditures amounted to $91.8 million in 1973 as compared with $84.2 million in 1972. In the past five years, capital expenditures have totaled $380.7 million. The major expenditures in 1973 were for the expansion of our breweries in Columbus, Ohio, and Jacksonville, Florida.

The graph on page 10 shows capital expenditures and depreciation expense for the past five years.

LONG-TERM DEBT—DEBENTURE FINANCING

In February, 1974, the company sold $100 million of 7.95% sinking fund debentures, due 1999. This offering marks the first such financing since July, 1967.

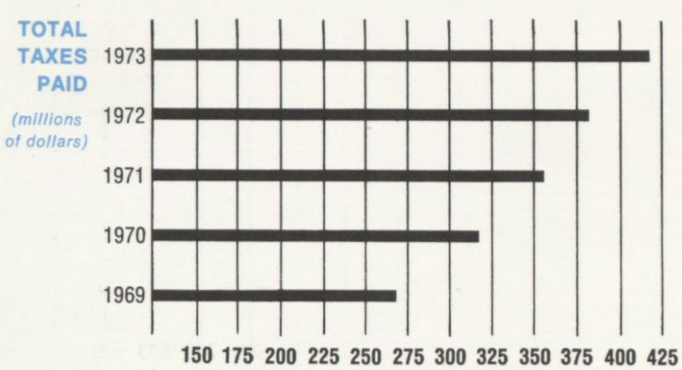
Net proceeds from the sale will be used to finance a portion of the company's capital expenditure program which will aggregate approximately $600 million during the period 1974 through 1976.

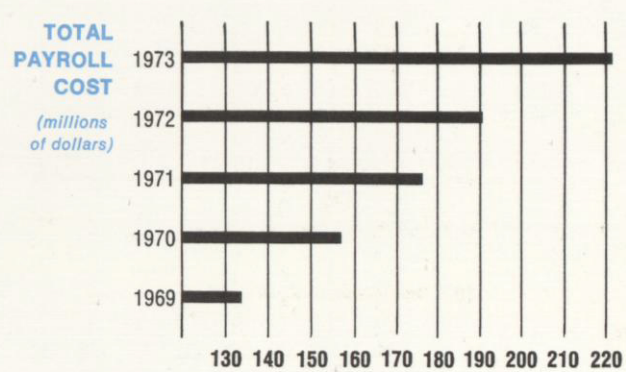
TAXES

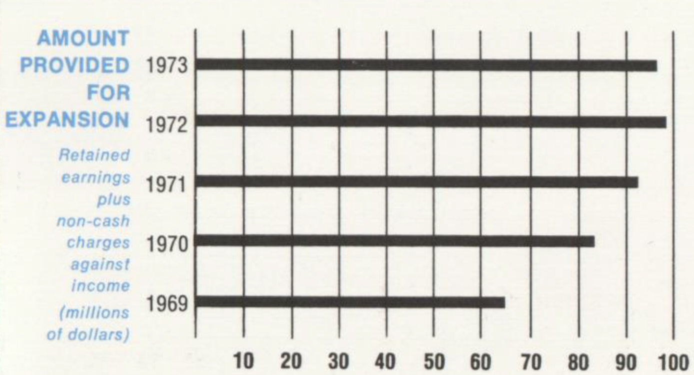
Total taxes applicable to 1973 operations (not including the many hidden taxes included in materials and services purchased) amounted to $417.7 million. Total taxes for the last five years are shown in the graph on this page.

EMPLOYEE BENEFITS

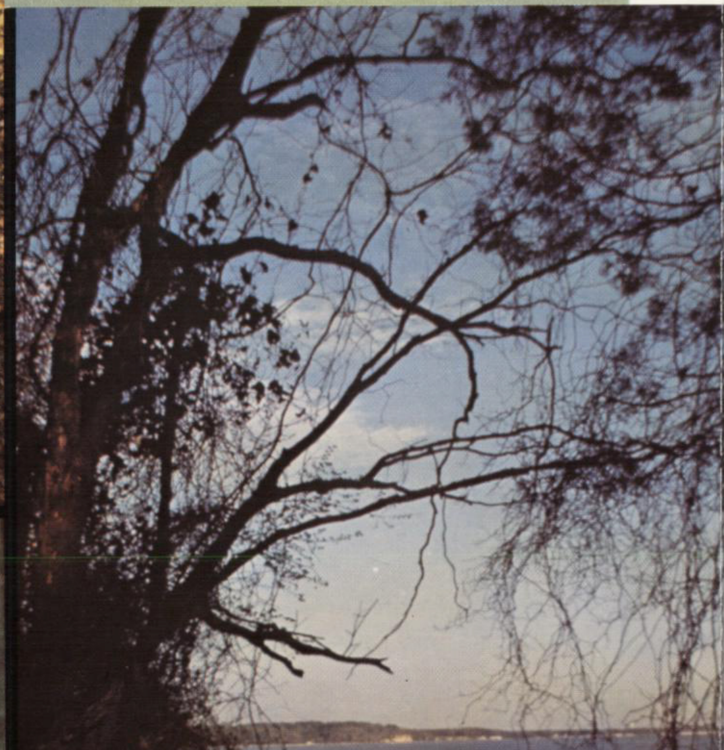
At December 31, 1973, employment was 11,962. Salaries and wages to officers and employees amounted to $187.8 million. Pension, life insurance and welfare benefits aggregated $24.6 million; payroll taxes totaled $8.7 million.







KINGSMILL
on the James



"Obtain HUD property report from the developer and read it before signing anything. HUD neither approves the merits of the offering nor the value, if any, of the property. This does not constitute an offer in those states where an offer cannot be made."

Important, historic events have occurred in the area near Williamsburg, Virginia. Birthplace of a town, a colony and a nation, the atmosphere for such fertile thought and action surrounds the area even today. In the misty fog that gently rolls off the James River, you can almost see the first sailing vessels anchored and the first settlers looking for terrain that would be suitable to their lifestyle.

Kingsmill on the James is a new resort and residential community being developed by Busch Properties, the wholly owned real estate subsidiary of Anheuser-Busch. Kingsmill is located 3½ miles southeast of Williamsburg, Virginia, on 3200 magnificent acres with 3 miles of frontage on the historic James River.

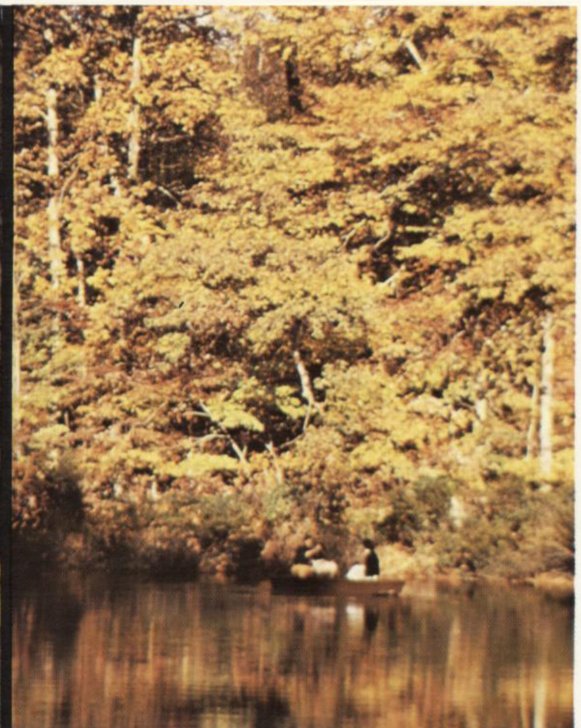
Kingsmill, which has been in the planning and implementation stage for 3 years, will include single-family homes and homesites, townhouses and cluster homes. Planning and design controls assure that the development will complement the existing Williamsburg environment. The natural beauty of the land is being carefully preserved, and a wide range of high quality recreational facilities is being developed.

The entire Kingsmill development will take about 15 years to complete and will ultimately contain about 5,000 homes.

Kingsmill lies in the very heart of Virginia's Historic Triangle. Within 5 miles, up the James River, is Jamestown, site of the first permanent English settlement in America. Three and one-half miles northwest is Williamsburg, capital of the Virginia colony from 1699 to 1780 and one of the birthplaces of American liberty. To the northeast is Yorktown, where General George Washington and his French allies defeated Cornwallis' British Army in 1781 in the final battle of the Revolutionary War.

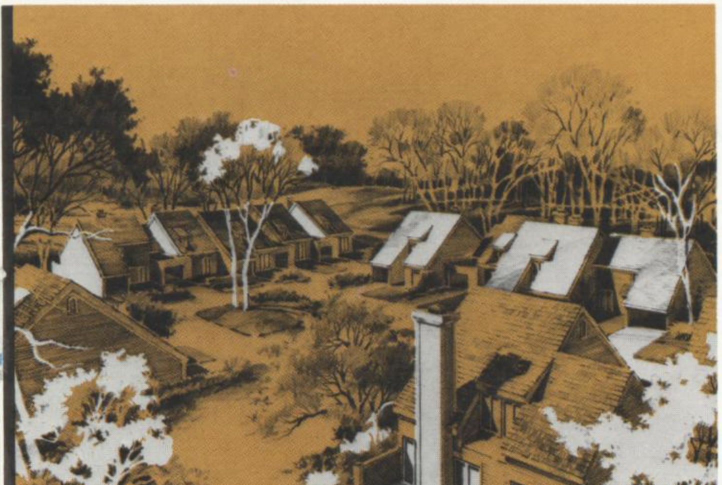
Kingsmill itself is being developed on land of great historic significance. Numerous 17th and 18th century plantations, a major 18th century commercial site as well as Revolutionary and Civil War fortifications were located there. The land has been known

In an area abounding with trees, water and wildlife, Busch Properties is building the Kingsmill community at Williamsburg in keeping with sound environmental and ecological practices.


for centuries as Kingsmill, a name which traces back to Richard Kingsmill who owned much of the land in the 17th century.

Busch Properties plans to carefully preserve all significant archaeological sites and to integrate the sites into the community. The major archaeological work is being done by the Virginia Historic Landmarks Commission. Other work concentrating on early Indian occupation of the land is being done by the College of William and Mary.



At left is the Littletown Quarter cluster home neighborhood, and above is Winster fax Townhouse neighborhood — both under construction at Kingsmill. Model units in both neighborhoods are scheduled to open in April, 1974. At top of left page, championship golf course nears completion.

Over 40 per cent of the land in Kingsmill will be retained as open space. The grouping of some housing into clusters, numerous scenic easements, and recreational facilities like golf courses will help preserve large open spaces.

Recreational facilities currently being designed or constructed include an 18-hole championship golf course designed by Pete Dye, a community recreation center with a swimming pool, tennis courts, play areas, an extensive bicycle and pedestrian trail system, and a 36-acre lake.

In addition to these community-wide facilities, residents of the first townhouse neighborhood in Kingsmill will have their own tennis courts, and residents of the first cluster home neighborhood will have their own swimming pool.

Future development plans call for the construction of a second 18-hole golf course with a private club, a marina (pending required Federal Government approvals), several more community recreation clubs with pools and tennis courts, other pools and tennis courts in individual neighborhoods, many more miles of pedestrian and bicycle trails, a major tennis club including indoor and outdoor courts, and boating ramps and docks for small boats and fishing.

Sales have been underway at Kingsmill since December, 1973, and initial acceptance of the community has been most gratifying.

We would welcome an opportunity to show our shareholders that Busch Properties is continuing the great Anheuser-Busch tradition of quality at Kingsmill.

summary of significant accounting principles and policies

This summary of significant accounting principles and policies of Anheuser-Busch, Inc., and its consolidated subsidiaries is presented to assist in evaluating the company's financial statements included in this report. These principles and policies conform to generally accepted accounting principles and have been consistently followed by the company in all material respects.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the company and all its subsidiaries. Certain subsidiaries which are not an integral part of the company's primary operations are included on an equity basis.

SALES AND ACCOUNTS RECEIVABLE

Sales and income are recognized at the time the product is shipped and accounts receivable are recorded at that time.

INVENTORIES AND PRODUCTION COSTS

Inventories are valued at the lower of cost or market. Cost of raw materials and supplies is determined under the last-in, first-out and average cost methods. Cost of work in process and finished goods is based principally on standard costs, which approximate actual manufacturing and raw material cost, adjusted for last-in, first-out valuation of certain raw materials. Approximately one-half of total inventories (principally brewing raw materials) are valued under the last-in, first-out method.

PLANT AND EQUIPMENT

Plant and equipment is carried at cost and includes expenditures for new facilities and those which substantially increase the useful lives of existing plant and equipment. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is credited or charged to income.

The company provides for depreciation of plant and equipment on methods and at rates designed to amortize the cost of such equipment over its useful life. Depreciation is computed principally on the sum-of-the-years-digits method for property acquired after December 31, 1953, and on the straight-line method for property acquired prior to that date.

A portion of the land held by the company is for investment purposes and is not an integral part of the company's primary operations. This land has been classified in the balance sheet as investment properties.

INCOME TAXES

The provision for income taxes is based on elements of income and expense as reported in the Statement

of Income. The company has elected to utilize certain provisions of federal income tax laws and regulations to reduce current taxes payable, the primary item being the calculation of depreciation for tax purposes on the basis of shorter lives permitted by the Treasury Department. The resulting tax benefit has been deferred and will be recognized in the provision for income taxes at such time as depreciation reported in the Statement of Income exceeds that taken for income tax purposes.

The company follows the practice of adding the investment tax credit to income over the productive lives of the assets generating such credit, rather than in the year in which the assets are placed in service. Accordingly, benefits realized from the investment tax credit have been deferred and will be recognized as reductions in the provisions for income taxes in the appropriate years.

EXPENDITURES WHICH PROVIDE POSSIBLE FUTURE BENEFITS

Plant start-up, research and development, advertising and promotional costs are charged against earnings in the year in which such costs are incurred.

NET INCOME PER SHARE OF COMMON STOCK

Net income per share of common stock is based on the average number of shares of common stock outstanding during the respective years, adjusted for stock splits and stock dividends. Shares issuable upon the exercise of stock options are excluded from the average number of shares for the computation of net income per share since their effect is not significant.

independent accountants report

To the Shareholders
and Board of Directors of
Anheuser-Busch, Incorporated:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income and retained earnings and of changes in financial position present fairly the financial position of Anheuser-Busch, Incorporated and its subsidiaries at December 31, 1973 and 1972, the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

St. Louis, Missouri
February 11, 1974

consolidated balance sheet

ASSETS	December 31, 1973	December 31, 1972
	(In Thousands)	
Current Assets:		
Cash (including certificates of deposit of $30,179,000 in 1973 and $28,116,000 in 1972)	**$ 38,227**	$ 41,369
Marketable securities (short-term), at cost which approximates market	**21,851**	27,448
Accounts and notes receivable, less allowance for doubtful accounts of $881,000 in 1973 and $845,000 in 1972	**48,004**	38,098
Inventories, at lower of cost or market (Note 2)— Finished goods	**5,528**	5,218
Work in process	**19,290**	16,878
Raw materials and supplies	**42,887**	36,966
Total current assets	**175,787**	165,977
Investments and Other Assets:		
Investments in and advances to unconsolidated subsidiaries (Note 1)	**26,864**	21,151
Investment properties	**8,675**	8,639
Deferred charges and other non-current assets	**12,668**	10,722
	48,207	40,512
Plant and Equipment, at cost:		
Land	**21,491**	19,649
Buildings	**312,530**	285,068
Machinery and equipment	**473,128**	432,486
Construction in progress	**78,082**	65,591
Other real estate	**2,445**	2,571
	887,676	805,365
Less accumulated depreciation	**346,440**	313,694
	541,236	491,671
	$765,230	$698,160

ANHEUSER-BUSCH, INCORPORATED, AND SUBSIDIARIES

LIABILITIES and SHAREHOLDERS EQUITY

	December 31, 1973	December 31, 1972
	(In Thousands)	
Current Liabilities:		
Accounts payable	**$ 59,707**	$ 33,975
Accrued salaries and wages	**13,032**	8,903
Accrued taxes, other than income taxes	**18,867**	24,712
Estimated federal and state income taxes	**3,038**	7,034
Other current liabilities	**4,882**	6,623
Total current liabilities	**99,526**	81,247
Long-Term Debt (Note 9):		
4¾% notes payable maturing 1975	**128**	416
3⅜% debentures maturing 1975 to 1977, less $2,956,000 in treasury in 1973 and $4,422,000 in 1972	**1,499**	1,523
4½% debentures maturing 1975 to 1989, less $7,592,000 in treasury in 1973 and $8,610,000 in 1972	**21,008**	21,890
5.45% debentures maturing 1975 to 1991, less $7,770,000 in treasury in 1973 and $7,700,000 in 1972	**28,430**	30,700
6% debentures maturing 1976 to 1992, less $4,951,000 in treasury in 1973 and $5,422,000 in 1972	**42,349**	44,578
	93,414	99,107
Accumulated Deferred Income Taxes	**54,281**	41,456
Accumulated Deferred Investment Tax Credit Being Amortized	**17,225**	14,370
Shareholders Equity (Notes 3 and 4):		
Common stock, $1 par value, authorized 60,000,000 shares; issued 45,608,283 shares	**45,608**	45,601
Capital in excess of par value (principally arising from stock dividends)	**57,957**	57,700
Retained earnings	**400,431**	361,891
	503,996	465,192
Less cost of 540,388 shares of treasury stock	**3,212**	3,212
	500,784	461,980
	$765,230	$698,160

The accompanying statement should be read in conjunction with the Notes To Consolidated Financial Statements appearing on pages 22 and 23 of this report.

consolidated statement of income and retained earnings

	1973	1972
	(In Thousands)	
Sales	**$1,442,720**	$1,273,093
Less federal and state beer taxes	**333,013**	295,593
	1,109,707	977,500
Costs and Expenses (Notes 5 and 6):		
Cost of products sold	**875,361**	724,718
Marketing, administrative and general expenses	**112,928**	108,008
	988,289	832,726
	121,418	144,774
Other Income and Expenses:		
Interest income	**4,818**	3,299
Interest expense	**(5,288)**	(6,041)
Purchase discounts, other income and expenses, net	**5,287**	4,855
Income before Income Taxes and Extraordinary Item	**126,235**	146,887
Provision for Income Taxes (Note 8):		
Current	**44,978**	62,305
Deferred	**15,680**	8,182
	60,658	70,487
Income before Extraordinary Item	**65,577**	76,400
Extraordinary Item — Loss on discontinued Houston Busch Gardens operation, net of income tax benefit of $4,006,000 (Note 7)	**—**	4,093
Net Income	**65,577**	72,307
Retained Earnings at Beginning of Year	**361,891**	315,693
	427,468	388,000
Cash Dividends, $.60 per share in 1973 and $.58 per share in 1972	**27,037**	26,109
Retained Earnings at End of Year	**$ 400,431**	$ 361,891
Income Per Share of Common Stock:		
Income before extraordinary item	**$1.46**	$1.70
Extraordinary item	**—**	.09
Net income	**$1.46**	$1.61

■ The accompanying statements should be read in conjunction with the Notes To Consolidated Financial Statements appearing on pages 22 and 23 of this report.

ANHEUSER-BUSCH, INCORPORATED, AND SUBSIDIARIES

consolidated statement of changes in financial position

	1973	1972
	(In Thousands)	
Financial resources were provided by:		
Operations —		
Income before extraordinary item	**$ 65,577**	$ 76,400
Charges to income not involving working capital —		
Depreciation	**41,059**	38,970
Deferred income taxes	**12,825**	7,353
Deferred investment tax credit	**2,855**	94
Other, net	**359**	691
Working capital provided by operations	**122,675**	123,508
Working capital provided by extraordinary item — Tax benefit of $4,006,000 less expenses of $1,112,000	—	2,894
Sale of common stock under stock option plans	**264**	1,808
	122,939	128,210
Financial resources were used for:		
Capital expenditures	**91,801**	84,217
Investment properties	**190**	146
Cash dividends paid	**27,037**	26,109
Reduction in long-term debt	**5,693**	17,464
Increased investment in unconsolidated subsidiaries, excluding transfers of land in the amounts of $134,000 and $2,640,000 respectively	**5,579**	1,218
Other, net	**1,108**	1,988
	131,408	131,142
Decrease in working capital	**$ (8,469)**	$ (2,932)

analysis of changes in working capital

	1973	1972
Increase (decrease) in current assets:		
Cash	**$ (3,142)**	$ (97)
Marketable securities	**(5,597)**	14
Accounts and notes receivable	**9,906**	4,381
Inventories	**8,643**	(981)
	9,810	3,317
Decrease (increase) in current liabilities:		
Accounts payable	**(25,732)**	(4,831)
Accrued salaries and wages	**(4,129)**	(977)
Accrued taxes, other than income taxes	**5,845**	(1,133)
Estimated federal and state income taxes	**3,996**	2,326
Other current liabilities	**1,741**	(1,634)
	(18,279)	(6,249)
Decrease in working capital	**$ (8,469)**	$ (2,932)

notes to consolidated financial statements

NOTE 1: ACCOUNTING PRINCIPLES AND POLICIES

Certain information relative to significant accounting policies is presented on pages 16 and 17 of this report.

NOTE 2: INVENTORY VALUATION

Approximately 50% and 55% of total inventories at December 31, 1973 and December 31, 1972, are stated on the last-in, first-out inventory valuation method. Had the average cost method been used with respect to such items at December 31, 1973, and December 31, 1972, total inventories would have been $25,874,000 and $6,858,000 higher, respectively.

NOTE 3: STOCK OPTIONS

Under a stock option plan adopted by the shareholders in 1967, 1,810,177 shares of common stock were reserved at December 31, 1973, for issuance to officers and key employees. No options were outstanding at December 31, 1973, since options granted under this plan expired in 1973. During 1973 options covering 7,774 shares were exercised at a price of $34.06 per share; and during 1972 options covering 84,125 shares were exercised at prices ranging from $20.38 to $34.06 per share. Options covering 5,139 shares and 7,050 shares expired during 1973 and 1972, respectively.

Proceeds from the sale of common stock under the plan totaled $264,000 in 1973 and $1,808,000 in 1972, of which $257,000 in 1973 and $1,723,000 in 1972, representing the excess of option prices over par value, has been credited to capital in excess of par value.

NOTE 4: RETAINED EARNINGS RESTRICTION

The indentures under which the company's long-term debt is issued contain provisions which limit the amount of retained earnings available for cash dividends. Under the most restrictive of these provisions, retained earnings at December 31, 1973, were restricted to the extent of $57,007,000 against the payment of cash dividends.

NOTE 5: PENSION PLANS

The company has several pension plans covering substantially all of its employees. The total pension expense was $15,248,000 in 1973 and $12,116,000 in 1972. Salaried employees are covered under a trusteed pension plan with unfunded prior service cost amounting to $5,892,000 at December 31, 1973. Pension plans have been adopted for hourly paid employees under agreements with the unions representing such employees. Obligations for contributions under these plans are based on a defined contribution per employee in accordance with the various labor agreements. The company follows the policy of funding all pension costs accrued.

NOTE 6: DEPRECIATION AND RENT EXPENSE

The provision for depreciation amounted to $41,059,000 in 1973 and $38,970,000 in 1972. Rent expense amounted to $7,341,000 in 1973 and $6,483,000 in 1972.

NOTE 7: EXTRAORDINARY ITEM

In December, 1972, the company announced its decision to convert a portion of the Houston Busch Gardens to a sales promotion facility and to discontinue operation of the remainder of the Gardens facilities. The cost of $4,093,000 (after reduction for income tax benefits of $4,006,000) includes the net book value of assets to be disposed of, plus provision for demolition costs and severance pay, less estimated salvage value.

NOTE 8: INCOME TAXES

The provision for income taxes for the years ended December 31, 1973 and 1972, includes the following:

	1973	1972
	(In Thousands)	
Current tax provision:		
Federal	$41,303	$57,547
Other	3,675	4,758
	44,978	62,305
Deferred tax provision:		
Federal	11,965	7,516
Other	860	572
	12,825	8,088
Deferred investment tax credit:		
Reduction in current taxes payable	4,807	1,869
Less amortization of deferred investment tax credit	1,952	1,775
	2,855	94
Total	$60,658	$70,487

The $70,487,000 provision for income taxes in 1972 is before giving effect to the income tax reduction of $4,006,000 ($3,271,000 current; $735,000 deferred) resulting from the loss on the discontinued Houston Busch Gardens operation.

The Internal Revenue Service has examined and cleared federal income tax returns of the company for years through 1969.

NOTE 9: SUBSEQUENT EVENT

In February, 1974, the company sold $100,000,000 of 7.95% sinking fund debentures, due February 1, 1999. On February 7, 1974, $83,875,000 of these debentures were issued. The remaining $16,125,000 are subject to delayed delivery contracts providing for delivery and payment on July 15, 1974. The debentures mature annually from 1985 through 1999.

NOTE 10: COMMITMENTS AND CONTINGENCIES

In connection with the plant expansion and improvement program, the company has commitments for capital expenditures totaling about $72,000,000 at December 31, 1973.

Obligations under long-term leases are considered to be not material.

In July, 1971, Pearl Brewing Company and seven of its distributors filed suit against the company and Jos. Schlitz Brewing Company alleging violations by the company of the federal antitrust laws and seeking temporary and permanent injunctive relief, treble damages (which at this time are unspecified as to amount), costs and reasonable attorneys' fees. On February 9, 1972, the U.S. District Court denied the plaintiffs' requests for a preliminary injunction and for a summary judgment. The case is still to be tried on the merits.

In June, 1972, Southtown Liquor, Inc., and Country Village Liquor, Inc., filed a civil class action suit against the company alleging violations by the company of the federal antitrust laws and certain Minnesota laws, and seeking permanent injunctive relief, treble damages (which at this time are unspecified as to amount), costs, reasonable attorneys' fees and the denial of the company's right to continue to do business in the State of Minnesota. The court presently has under consideration the question of whether the suit is a proper class action.

In July, 1972, the Village of Eden Valley, Minnesota, filed a civil class action suit against the company alleging violations by the company of the federal antitrust laws and certain Minnesota laws, and seeking permanent injunctive relief, treble damages (which at this time are unspecified as to amount), costs, reasonable attorneys' fees and the denial of the company's right to continue to do business in the State of Minnesota. The court presently has under consideration the question of whether the suit is a proper class action.

In October, 1972, Grain Belt Breweries, Inc., filed suit against the company, Jos. Schlitz Brewing Company, one of the company's wholesalers and two Jos. Schlitz wholesalers alleging violations by the defendants of the federal antitrust laws and seeking temporary and permanent injunctive relief, treble damages (which at this time are unspecified as to amount), costs and reasonable attorneys' fees. The case is still to be tried on the merits.

On February 7, 1973, John Epps, individually and on behalf of all members of a class of beer distributors similarly situated, filed suit against the company, six other brewers and six beer distributors in the United States District Court for the Eastern District of Pennsylvania, alleging violations of the Sherman, Clayton and Robinson-Patman Acts, laws of the Commonwealth of Pennsylvania and the common law with respect to the sale and distribution of beer in the Commonwealth of Pennsylvania. On October 31, 1973, the U.S. District Court granted plaintiffs' motion for voluntary dismissal without prejudice. Plaintiffs have indicated that a new antitrust class action will be subsequently filed; however, the company does not know whether it will be named as a party defendant in any such action.

The company denies the charges in all of the foregoing cases and is engaged in defending against them. The company was defendant in certain other lawsuits on December 31, 1973, the ultimate outcome of which cannot be determined at this time. In the opinion of management, the company's liability, if any, under any pending litigation would not materially affect its financial condition.

ten-year financial summary

(In Thousands)

	1973	1972
SALES AND EARNINGS		
Barrels sold	**29,887**	26,522
Net sales	**$1,109,707**	$977,500
Depreciation	**41,059**	38,970
Direct payroll	**187,763**	163,929
Income before income taxes	**126,235**	146,887
Income (before extraordinary item in 1972)	**65,577**	76,400
Per share	**1.46**	1.70
DIVIDENDS		
Total cash dividends	**27,037**	26,109
Cash dividends per share	**.60**	.58
BALANCE SHEET INFORMATION		
Working capital	**76,261**	84,730
Plant and equipment, net	**541,236**	491,671
Capital expenditures	**91,801**	84,217
Long-term debt	**93,414**	99,107
Deferred income taxes	**54,281**	41,456
Deferred investment tax credit	**17,225**	14,370
Shareholders equity	**500,784**	461,980

■ Per share statistics have been adjusted to give effect to the two-for-one stock split and 10% stock dividend in 1965 and the two-for-one stock splits in 1968 and 1971.

ANHEUSER-BUSCH, INCORPORATED, AND SUBSIDIARIES

1971	1970	1969	1968	1967	1966	1965	1964
24,309	22,202	18,712	18,393	15,535	13,575	11,841	10,370
$902,453	$792,777	$666,609	$652,707	$554,880	$485,063	$427,698	$380,711
34,948	33,795	30,063	27,578	23,524	18,955	16,102	14,805
151,499	135,997	116,577	116,516	106,260	93,895	85,809	78,326
136,050	120,776	92,938	92,661	67,150	63,487	51,158	40,523
71,638	62,549	45,311	44,634	36,195	33,627	26,732	20,342
1.60	1.40	1.02	1.00	.82	.76	.61	.46
23,784	18,991	17,843	16,117	13,146	10,806	9,491	8,050
.53	.425	.40	.36	.30	.25	.22	.18
87,662	80,430	76,950	89,829	104,252	85,989	81,926	95,436
453,647	416,660	387,422	351,537	306,476	244,883	174,902	144,368
73,214	65,069	66,396	76,457	85,415	89,671	47,953	25,731
116,571	128,080	134,925	142,720	147,898	99,293	53,497	55,760
34,103	27,274	23,212	18,149	14,191	9,149	6,604	3,575
14,276	13,563	12,577	10,790	8,823	4,356	2,447	2,026
413,974	358,476	314,121	285,318	255,359	231,438	207,376	191,363

ANHEUSER - BUSCH, INCORPORATED 721 PESTALOZZI ST., ST. LOUIS, MO. 63118